

Caro Transit Authority

Caro, Michigan

Financial Statements and Additional Information
Year Ended September 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Caro Transit Authority	County
Audit Date 9/30/05	Opinion Date 2/3/06	Date Accountant Report Submitted to State: 3/20/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

RECEIVED
DEPT. OF TREASURY

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

MAR 27 2006

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including comments and recommendations.

LOCAL AUDIT & FINANCE DIV.

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).	✓		
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Wipfli LLP			
Street Address 2901 West Beltline Highway, Suite 201		City Madison	State WI
Accountant Signature <i>Michael D. Ryan</i>		ZIP 53713	
		Date 3/20/06	

Caro Transit Authority

Financial Statements and Additional Information Year Ended September 30, 2005

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Independent Auditor's Report

Board of Directors
Caro Transit Authority
Caro, Michigan

We have audited the accompanying balance sheet of Caro Transit Authority as of September 30, 2005, and the related statements of revenue, expenses, and changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of Caro Transit Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Michigan Department of Transportation *Audit Guide for Transportation Authorities and Agencies in Michigan*. Those standards and the Michigan *Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 and Note 4 to the financial statements, Caro Transit Authority expenses equipment purchased through Michigan Department of Transportation grant awards rather than capitalizing such equipment and depreciating the equipment over its useful life. This method of accounting for equipment purchases is in accordance with grant budgets authorized by the Michigan Department of Transportation; however, in order to conform with accounting principles generally accepted in the United States, in our opinion, all capital expenses should be capitalized and depreciated over their estimated useful lives. The effects of that departure from accounting principles generally accepted in the United States on the accompanying financial statements are not reasonably determinable.

In our opinion, except for the effects of not capitalizing and depreciating grant purchased equipment as discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Caro Transit Authority as of September 30, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2006, on our consideration of Caro Transit Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information presented on pages 9 through 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects of not capitalizing and depreciating grant purchased equipment, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Wipfli LLP

Wipfli LLP

February 3, 2006
Madison, Wisconsin

Caro Transit Authority

Balance Sheet

September 30, 2005

Assets

Current assets:

Cash and cash equivalents	\$ 281,423
Grants receivable	65,824
Accounts receivable	12,748

Total current assets	359,995
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Fixed assets:

Property and equipment, net	71,217
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TOTAL ASSETS	\$ 431,212
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Liabilities and Fund Balance

Current liabilities:

Accounts payable	\$ 92,819
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Total liabilities	92,819
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Fund balance - unrestricted	338,393
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TOTAL LIABILITIES AND FUND BALANCE	\$ 431,212
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See accompanying notes to financial statements.

Caro Transit Authority

Statement of Revenue, Expenses, and Changes in Fund Balance Year Ended September 30, 2005

	Program Operations	Equipment	Total
Operating revenue (Schedule 1)	\$ 101,968	\$ 0	\$ 101,968
Operating expenses (Schedule 2)	(668,582)	0	(668,582)
Loss	(566,614)	0	(566,614)
Nonoperating revenue (Schedule 3)	593,589	0	593,589
Equipment award (Schedule 9)	0	2,442	2,442
Excess revenue over expenses	26,975	2,442	29,417
Fund balance - September 30, 2004	308,760	216	308,976
Fund balance - September 30, 2005	\$ 335,735	\$ 2,658	\$ 338,393

See accompanying notes to financial statements.

Caro Transit Authority

Statement of Cash Flows Year Ended September 30, 2005

Increase (decrease) in cash:

Cash flows from operating activities:

Excess revenue over expenses	\$ 29,417
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Gain on sale of equipment	(12,350)
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Adjustments to reconcile excess of revenue
over expenses to net cash provided by operating activities:

Changes in assets and liabilities:

Grants receivable	(24,299)
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Accounts receivable	(12,748)
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Accounts payable	77,142
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Net cash provided by operating activities	57,162
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Cash flows from investing activities:

Proceeds from sale of equipment	12,350
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Purchase of equipment	(71,217)
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Net cash used in investing activities	(58,867)
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Net decrease in cash and cash equivalents	(1,705)
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Cash and cash equivalents - September 30, 2004	283,128
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Cash and cash equivalents - September 30, 2005	\$ 281,423
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Cash balances for current and prior year's includes a short-term certificate of deposit.

See accompanying notes to financial statements.

Caro Transit Authority

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

Nature of Operations

Caro Transit Authority (the "Organization") was organized under Public Act 196 of 1986 to provide transportation services within a prescribed service area of the Caro area of Michigan. The Organization is governed by a Board of Directors, which has been appointed by the common council of the Village of Caro and the Boards of Indianfields and Almer Townships. A property tax levy is assessed by both townships to provide capital for operations. The Organization contracts with Human Development Commission, a nonprofit organization, to operate the bus system. The Michigan Department of Transportation (MDOT) provided Caro Transit Authority with 55% of its revenue for the year ended September 30, 2005.

Basis of Presentation

The financial statements are prepared using the accrual basis of accounting.

The accounting policies of Caro Transit Authority conform to generally accepted accounting principles as applicable to governmental units, except for accounting for equipment purchased or transferred by MDOT.

Equipment

The policy on equipment purchased through MDOT grant awards differs from generally accepted accounting principles. Grant-purchased equipment is charged to expenses in the period of purchase and is recorded on the balance sheet as a fully-depreciated asset. The equipment is owned by Caro Transit Authority while used for the purpose it was purchased. MDOT has a reversionary interest in equipment purchased with grant funds.

Equipment purchased with nongrant funds is capitalized at cost and depreciated over its economic life on the straight-line method. The Organization capitalizes equipment that has a cost of at least \$5,000 and a useful life of more than one year.

Cost Allocation Plan

The cost allocation plan used to allocate various administrative expenses has been approved by the State of Michigan, Department of Transportation.

Use of Estimates

The preparation of financial statements with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Caro Transit Authority

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Caro Transit Authority (CTA) maintains cash and cash equivalents at several banks. CTA considers certificates of deposit with a maturity of less than 60 days to be cash equivalents.

Note 2 Grants Receivable

The grants receivable are as follows:

	Grant Receivable 9/30/2004	Funds Earned	Less Funds Received	Grant Receivable 9/30/2004
Operating grant	\$ 0	\$ 258,376	(\$ 258,376)	\$ 0
Operating PY reconciliation	0	41,820	0	41,820
Section 5311 - 2005	0	82,839	(70,178)	12,661
Section 5311 - PY reconciliation	41,525	1,276	(33,900)	8,901
RTAP	0	525	(525)	0
Equipment grant	0	2,442	0	2,442
Totals	\$ 41,525	\$ 387,278	(\$ 362,979)	\$ 65,824

Note 4 Property and Equipment Accumulated Depreciation

Equipment purchased with MDOT grant awards is expensed in the period of purchase and recorded as a fully-depreciated asset. Equipment purchased with CTA funds is capitalized depreciated over its economic life on the straight-line depreciation method. The activity relating to property and equipment during the program year ended September 30, 2005, is as follows:

	Balance 9/30/2004	Additions	Deletions	Balance 9/30/2005
Vehicles	\$ 596,345	\$ 71,217	(\$ 188,834)	\$ 478,728
Other equipment	26,341	0	0	26,341
Accumulated depreciation	(622,686)	0	188,834	(433,852)
Property and equipment, net	\$ 0	\$ 71,217	\$ 0	\$ 71,217

Caro Transit Authority

Notes to Financial Statements

Note 4 Property and Equipment (Continued) Accumulated Depreciation (Continued)

The property and equipment purchased with MDOT grant funds and CTA funds are as follows:

	Grant Purchased	CTA Purchased	Total
Vehicles	\$ 407,511	\$ 71,217	\$ 478,728
Other equipment	26,341	0	26,341
Accumulated depreciation	(433,852)	0	(433,852)
Property and equipment, net	\$ 0	\$ 71,217	\$ 71,217

The vehicle purchased with CTA funds was put into service at the end of the fiscal year ended (FYE) September 30, 2005. No depreciation was recorded on this vehicle in FYE September 30, 2005.

Note 5 Concentration of Credit Risk

Caro Transit Authority maintains cash at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Balances in excess of \$100,000 at individual banks are not collaterally secured. At September 30, 2005, the amount of cash and cash equivalents in excess of FDIC coverage was \$50,870 as follows:

	Cash Equivalent	Account No. 1	Account No. 2	Account No. 3	Total
Bank balances	\$ 100,000	\$ 78,881	\$ 51,672	\$ 50,870	\$ 281,423
FDIC coverage	(100,000)	(78,881)	(51,672)	0	(230,553)
Balances in excess of FDIC	\$ 0	\$ 0	\$ 0	\$ 50,870	\$ 50,870

The certificate of deposit and checking/money market account No. 3 is at the same bank. FDIC coverage is limited to \$100,000 for both accounts.

Additional Information

Caro Transit Authority

Schedule 1

Operating Revenue

Subcontractor - Human Development Commission

Year Ended September 30, 2005

Operating revenue:

Line-haul (fare box)	\$ 101,968
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Operating revenue	\$ 101,968
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Caro Transit Authority

Schedule 2

Operating Expenses

Subcontractor - Human Development Commission

Year Ended September 30, 2005

<i>Operating</i>				
	Operations	Maintenance	General Administration	Total
Purchased transportation services	\$ 461,131	\$ 110,488	\$ 96,963	\$ 668,582
Totals	\$ 461,131	\$ 110,488	\$ 96,963	\$ 668,582

Note: Caro Transit Authority delegates operation of the transit program to Human Development Commission.
All of the above purchased transportation services were paid by Human Development Commission.

Caro Transit Authority

Schedule 3

Nonoperating Revenue

Subcontractor - Human Development Commission

Year Ended September 30, 2005

	Program Operations
Local revenue:	
Indianfields and Almer Townships	\$ 192,662
State of Michigan grants:	
Operating grant award	258,376
PY Operating reconciliation	41,820
Subtotal State of Michigan grants	300,196
Federal grants:	
U.S. DOT operating grant - Section 5311	82,839
U.S. DOT operating grant - Section 5311 PY	1,276
RTAP	525
Subtotal federal grants	84,640
Other revenue:	
Sale of equipment	12,350
Interest income	3,741
Total other revenue	16,091
Total nonoperating revenue	\$ 593,589

Caro Transit Authority

Schedule 4

Schedule of Expenses by Contract and General Operations

Subcontractor - Human Development Commission

Year Ended September 30, 2005

	Operating Contract # 2002-0025	Equipment Contract # 2002-0025	Total Expenses
Contracted expenses	\$ 668,582	\$ 0	\$ 668,582
Total expenses	\$ 668,582	\$ 0	\$ 668,582

Caro Transit Authority

Schedule 5

Net Eligible Expenses Computations of General Operations

Subcontractor - Human Development Commission

Year Ended September 30, 2005

	Federal Section 5311	Local Bus Operating Assistance
Expenses:		
Operating costs	\$ 668,582	\$ 668,582
Total expenses	668,582	668,582
Ineligible expenses:		
RTAP funds	(525)	(525)
Net eligible expenses	\$ 668,057	\$ 668,057
Maximum Section 5311:		
Reimbursement (12.4% of eligible expenses)	\$ 82,839	

Caro Transit Authority

Schedule 6

Mileage Data

Subcontractor - Human Development Commission

Year Ended September 30, 2005

	Public Transportation Mileage
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Line-haul/demand response:

First quarter	66,404
Second quarter	58,614
Third quarter	52,514
Fourth quarter	40,456

Total line-haul/demand response	217,988
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The methodology used for compiling mileage has been reviewed and found to be an adequate method for recording vehicle mileage.

Caro Transit Authority

Schedule 7

Schedule of Caro Transit Authority and Subcontractor Agency Activity

Subcontractor - Human Development Commission

Year Ended September 30, 2005

	Caro Transit Authority	Human Development Commission	Total
Revenue:			
Local millage	\$ 192,662	\$ 0	\$ 192,662
State operating grant	258,376	0	258,376
State operating FY 03 reconciliation	41,820	0	41,820
U.S. DOT Section 5311	82,839	0	82,839
U.S. DOT Section 5311 PY	1,276	0	1,276
Equipment grant	2,442	0	2,442
RTAP	525	0	525
Sale of equipment	12,350	0	12,350
Transfers	(566,614)	566,614	0
Interest	3,741	0	3,741
Line-haul (fare box)	0	101,968	101,968
Total revenue	29,417	668,582	697,999
Expenses:			
Operating expenses	0	668,582	668,582
Total expenses	0	668,582	668,582
Excess of revenue over expense	29,417	0	29,417
Fund balance - September 30, 2004	308,976	0	308,976
Fund balance - September 30, 2004	\$ 338,393	\$ 0	\$ 338,393

Caro Transit Authority

Schedule 8

Schedule of Financial Assistance - Federal, State, and Other
Year Ended September 30, 2005

Federal Grantor/State Grantor/ Program Title/Other Income	Federal CFDA Number	State Grantor Number	Program Award Amount	Federal Revenue	State/Local Revenue	Other Revenue	Expenditures	Excess Revenue/ (Expenses)
U.S. Department of Transportation:								
Section 5311	20.507		\$	\$ 82,839	\$ 0	\$ 0	(\$ 82,839)	\$ 0
Section 5311 PY	20.507			1,276	0	0	(1,276)	0
RTAP	20.507			525	0	0	(525)	0
Subtotal				84,640	0	0	(84,640)	0
Michigan Department of Transportation:								
Equipment contract		2002-0025	2,442	0	2,442	0	0	2,442
State operating		2002-0025	258,376	0	258,376	0	(258,376)	0
State operating FY 03 reconciliation		2002-0025	41,820	0	41,820	0	(41,820)	0
Subtotal				0	302,638	0	(300,196)	2,442
Other revenue:								
Line-haul (fare box)				0	0	101,968	(101,968)	0
Interest				0	0	3,741	(3,741)	0
Sale of equipment				0	0	12,350	0	12,350
Local millage				0	0	192,662	(178,037)	14,625
Subtotal				0	0	310,721	(283,746)	26,975
Totals				\$ 84,640	\$ 302,638	\$ 310,721	(\$ 668,582)	\$ 29,417

See Independent Auditor's Report.

Caro Transit Authority

Schedule 9

Schedule of Equipment Awards and Expenses

Year Ended September 30, 2005

	MDOT
Equipment award	\$ 2,442
Equipment acquisition	0
Excess of revenue	\$ 2,442



WIPFLi LLP

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
Caro Transit Authority
Caro, Michigan

We have audited the financial statements of Caro Transit Authority as of and for the year ended September 30, 2005, and have issued our report thereon dated February 3, 2006. In our report, our opinion was qualified because Caro Transit Authority expenses equipment purchased with Michigan Department of Transportation grant funds, rather than capitalizing such equipment and depreciating the equipment over its useful life. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Caro Transit Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caro Transit Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wipfli LLP

Wipfli LLP

February 3, 2006
Madison, Wisconsin